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## Spain

**Post:** Madrid

### **Abatimento Update – Spain and Portugal’s Reduced-Tariff Import Quota for Corn and Sorghum**

**Report Categories:**

Grain and Feed

**Approved By:**

Margaret E. Thursland  
Agricultural Counselor  
U.S. Embassy Madrid

**Prepared By:**

Marta Guerrero and J. Barrie Williams  
Agricultural Specialists

**Report Highlights:**

On July 16, 2009, the European Commission’s Cereals Management Committee approved the opening of the Abatimento – the reduced-tariff corn and sorghum quota and tendering system approved for Spain and Portugal upon their accession to the EU in 1986 as compensation to the United States for the loss of the Iberian Peninsula feed grain market. To date, bids totaling 30,166 MT of corn sourced from Brazil and Ukraine have been accepted for Spain and 16,396 MT of corn from Brazil have been accepted for Portugal.

## **General Information:**

### **Background**

Both Spain and Portugal are deficient in animal feed components to support their livestock industries.

Following Spain and Portugal's accession to the European Union in 1986, the United States negotiated compensation for the loss of the Iberian Peninsula grain market during the WTO Uruguay Round under the U.S.-EU Enlargement Agreement.

The current agreement allows the EU to open reduced-tariff quotas, known as the Abatimento (abatement), for import of up to 2 million tons of corn and 300,000 tons of sorghum to be imported annually into Spain from non-EU countries -- minus the quantities of corn gluten, brewer's distilled grains and citrus pulp imported into Spain during the same year. In addition, up to 500,000 tons of corn may be imported into Portugal. The import duty paid for Portuguese imports under the Abatimento may not exceed 50 euros per ton.

See below for a link to the governing legislation, Commission Regulation (EC) No 1839/95, as amended.

[Commission Regulation \(EC\) No 1839/95, as amended](#)

### **2009 Situation**

The Abatimento was last utilized in 2006. High international grain prices in 2007 and 2008 precluded the opening of the reduced-duty Abatimento quota as all grain import duties were suspended.

In January 2009, representatives of Spain's compound feed industry, livestock sector and grain trade began their campaign for the Abatimento quota, while Spain's arable farmer associations expressed opposition, arguing that domestic feedstocks were at adequate levels and reasonably priced.

At the February 26, 2009 Cereals Management Committee, the Portuguese delegation – with support from Spain – requested information regarding the Commission’s position on opening the Abatimento. The Commission responded that it would closely monitor the feed situation over the coming months.

In June 2009, Spain’s compound feed, livestock and grain industry associations approached the Ministry of Environment and Rural and Marine Affairs, asking that the Government of Spain formally request that the EU Commission open the Abatimento for tenders, arguing that cereal prices had progressively increased in both domestic and international markets in recent weeks. In addition, crop forecasters were predicting new price increases in the coming months due to a poor harvest in Spain – further exasperating the structural deficit in domestic feed grain supplies for marketing year 2009/2010.

### **Opening the 2009 Abatimento**

During April, May and June, the European Commission monitored imports of all eligible products under the Abatimento, revealing low import levels of corn, sorghum and other eligible products. Consequently, at the July 16, 2009 EU Cereals Management Committee meeting, the opening of the Abatimento was brought to a vote. Despite Spain’s abstention and Portugal voting against the measure, opening of the Abatimento was approved.

Table 1 below indicates calculations made as of August 4, 2009 to determine the quantities allowed for importation under the Abatimento. Column A shows the total Abatimento import quota allowed by country and product. Column B indicates eligible imports of corn, sorghum and other products under the Abatimento quota system – representing all corn and sorghum imports into Spain and Portugal minus preferential corn imports from the Balkans and duty-free corn imports from third countries under Regulation (EC) No 969/2006. Column C indicates the remaining balance of imports which can be applied under the Abatimento.

Table 2 indicates the same calculations updated prior to the September 10, 2009 tenders.

**Table 1. Abatimento Balance Situation as of 08/04/2009 (in MT)**

Member State	Product	Quota (A)	Eligible imports (B)	Balance (C)
Spain	Corn	2,000,000	162,190	-1,837,810
Spain	Sorghum	300,000	100	-299,900
Portugal	Corn	500,000	47,002	-452,998

Source: Communication and Information Resource Center Administrator

**Table 2. Abatimento Balance Situation as of 09/09/2009 (in MT)**

Member State	Product	Quota (A)	Eligible imports (B)	Balance (C)
Spain	Corn	2,000,000	162,946	-1,837,054
Spain	Sorghum	300,000	100	-299,900
Portugal	Corn	500,000	47,108	-452,892

Source: Communication and Information Resource Center Administrator

### Results of Tenders to Date

Since the July 2009 vote to reopen the Abatimento, three tenders have taken place. Tables 3 and 4 below provide details on tender results to date.

**Table 3. SPAIN: Abatimento Tender Results as of 09/10/2009**

CORN	August 6	August 27	September 10
Offered (MT)	25,165	30,166	14,166
Accepted (MT)	None	16,000	14,166
Maximum Duty Reduction (€/MT)		27.90	32.00
Origin		Brazil/Ukraine	Brazil/Ukraine

Source: EU Cereals Management Committee

**Table 4. PORTUGAL: Abatimento Tender Results as of 09/10/2009**

CORN	August 6	August 27	September 10
Offered (MT)	16,396	16,396	6,396
Accepted (MT)	None	10,000	6,396
Maximum Duty Reduction (€/MT)		19.95	25.95
Origin		Brazil	Brazil

Source: EU Cereals Management Committee

Under the first tender of August 6, 2009, no bids were accepted. Under the August 27, 2009 tender, bids were accepted for 16,000 MT of corn for Spain originating from Brazil and Ukraine and 10,000 MT of corn for Portugal sourced from Brazil. On September 10, bids were accepted for 14,166 MT of corn from Brazil and Ukraine for Spain and 6,396 MT of corn from Brazil for Portugal.

To date, there have been no offers for U.S.-sourced sorghum due to the availability of other feed grains at competitive prices. Sorghum is imported into Spain only when the supply of alternative grains is tight. The EU's zero tolerance level for adventitious presence of unapproved GM corn events prevents the export of U.S. corn to Spain and Portugal.

The next meeting of the EU Cereals Management Committee is scheduled for September 24, 2009.

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